

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name West Iron County Sewer Authority	County Iron
Fiscal Year End 06/30/06	Opinion Date 10/06/06	Date Audit Report Submitted to State 12/19/06	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

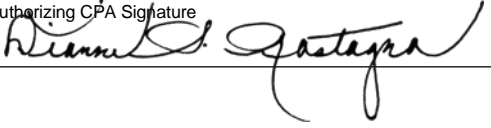
YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input type="checkbox"/>	There are no issues to be reported.	
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) DS Rostagno CPA P.C.		Telephone Number 906-265-1040	
Street Address 101 West Maple Street		City Iron River	State MI
		Zip 49935	
Authorizing CPA Signature 	Printed Name Dianne S. Rostagno, CPA		License Number A245771

WEST IRON COUNTY SEWER AUTHORITY

**Financial Report
With Supplemental Information
Prepared in Accordance with GASB 34**

June 30, 2006

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	3
MANAGEMENT'S DISCUSSION AND ANALYSIS.....	6
BASIC FINANCIAL STATEMENTS.....	16
STATEMENT OF NET ASSETS	17
STATEMENT OF ACTIVITIES.....	18
STATEMENT OF FUND NET ASSETS - ENTERPRISE FUND.....	19
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS - ENTERPRISE FUND	20
STATEMENT OF CASH FLOWS – ENTERPRISE FUND	21
STATEMENT OF FIDUCIARY NET ASSETS	23
STATEMENT OF CHANGES IN FIDUCIARY FUND NET ASSETS	24
NOTES TO THE FINANCIAL STATEMENTS.....	25
OTHER SUPPLEMENTAL INFORMATION.....	76
BALANCE SHEET - ENTERPRISE FUND	77
COMPARATIVE STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS -ENTERPRISE FUND.....	78
STATEMENT OF CASH FLOWS - ENTERPRISE FUND.....	79
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING	81

INDEPENDENT AUDITOR'S REPORT

DS Rostagno, CPA, P.C.

***101 West Maple Street, Iron River, MI 49935
Tel (906) 265-1040 Fax (906) 265-1042***

Board of Trustees
West Iron County Sewer Authority
Caspian, Michigan 49915

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the business-type activities and each major fund of the **West Iron County Sewer Authority**, as of and for the fiscal year ended June 30, 2006, which collectively comprise the Authority's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Board of Trustees, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and each major fund of the **West Iron County Sewer Authority** at June 30, 2006, and the respective changes in financial position thereof for the fiscal year ended, in conformity with generally accepted accounting principles in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 06, 2006 on our consideration of the **West Iron County Sewer Authority's** internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with the report in considering the results of our audit.

The management's discussion and analysis on pages 7 through 15 is not a required part of the basic financial statements but is supplemental information required by the *Governmental Accounting Standards Board* and by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of the inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the **West Iron County Sewer Authority's** basic financial statements. The individual fund financial statements are presented for the purposes of additional analysis and are not a required part of the basic financial statements. The individual fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink, appearing to read "Dianne S. Rostagno". The signature is fluid and cursive, with a large, stylized initial "D".

Dianne S. Rostagno
DS ROSTAGNO, CPA, P.C.

October 06, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS

WEST IRON COUNTY WASTEWATER TREATMENT PLANT

P.O. BOX 246 . CASPIAN, MI 49915 . (906) 265-5209

The management of the **West Iron County Sewer Authority** provides this narrative overview and analysis of the financial activities of the **West Iron County Sewer Authority** for the year ended June 30, 2006. As readers, you are encouraged to read this discussion and analysis in conjunction with the Authority's financial statement information included in this report.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. The financial section of this report includes management's discussion and analysis and the basic financial statements. The basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements

The government-wide financial statements are designed to provide readers with a broad overview of the Authority's finances, in a manner similar to a private-sector business.

The Statement of Net Assets presents information on all of the Authority's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

The Statement of Activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements reflect the Authority's functions in the enterprise fund, which is the only fund of the **West Iron County Sewer Authority**. This means that the revenues are intended to recover all or a significant portion of their cost through user fees and charges (business-type activities). There are no governmental activities.

WEST IRON COUNTY WASTEWATER TREATMENT PLANT

P.O. BOX 246 . CASPIAN, MI 49915 . (906) 265-5209

Fund Financial Statements

The Authority, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. In the basic financial statements, the emphasis of the fund financial statements is on major funds. The only fund of the Authority (in addition to the fiduciary fund) is a **proprietary fund**.

Proprietary Funds

Proprietary Funds provide services for which the Authority charges customers a fee. The Authority has only one type of proprietary fund - an enterprise fund. The enterprise fund of the Authority is used to report the same functions as the business-type activities in the government-wide financial statements. The Proprietary Fund is presented separately in both the government-wide financial statements and the fund financial statements and is considered a major fund. Enterprise funds are used to account for operations very similar to business enterprises, where the intent of the governing body is that the cost of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Notes to the Financial Statements

Notes to the financial statements are included in the basic financial statements, and provide additional information that is essential for a full understanding of the data provided in the government-wide and the fund financial statements.

Supplementary Information

Required supplementary information generally follows the basic financial statements, and includes budgetary comparison schedules for the General Fund and the entity's major special revenue funds as presented in the governmental fund financial statements. Since there are no governmental funds, this section has been omitted.

WEST IRON COUNTY WASTEWATER TREATMENT PLANT

P.O. BOX 246 . CASPIAN, MI 49915 . (906) 265-5209

Government-wide Financial Analysis

In time, net assets of a governmental entity may serve as a useful indicator of the government's financial position. In the case of the Authority, assets exceeded liabilities by \$ 5,784,871 at June 30, 2006.

By far, the largest portion of the Authority's assets (approximately 93%) is held in the form of capital assets (net). These capital assets are used to provide services to citizens and are not available for future spending. It should be also noted that these assets carry related debt of \$2,425,000, representing the 2005 refunding bond issue. At June 30, 2006, the Authority reported \$ 5,185,383 in capital assets net of related debt. And, at June 30, 2006, the Authority had unrestricted net assets of \$ 111,522, which are available to meet the government's ongoing obligations to citizens and creditors, and \$487,966 restricted for payment of debt and related obligations.

Summary of Nets Assets

The following is a comparative summary of the net assets at June 30, 2006 and June 30, 2005:

	June 30, 2006	
	Primary Government	
	Business-type	
	Activities	Total
<u>Assets</u>		
Current and other assets	\$ 604718	\$ 604718
Capital assets, net	<u>7610383</u>	<u>7610383</u>
Total Assets	8215101	8215101
<u>Liabilities</u>		
Long-term liabilities	2320000	2320000
Other liabilities	<u>110230</u>	<u>110230</u>
Total Liabilities	\$ 2430230	\$ 2430230

WEST IRON COUNTY WASTEWATER TREATMENT PLANT

P.O. BOX 246 . CASPIAN, MI 49915 . (906) 265-5209

Government-wide Financial Analysis (Continued)

Summary of Net Assets (Continued)

	June 30, 2006	
	<u>Primary Government</u>	
	<u>Business-type</u>	
	<u>Activities</u>	<u>Total</u>
<u>Net Assets</u>		
Invested in capital assets, net of related debt	\$ 5185383	\$ 5185383
Restricted for payment of debt	487966	487966
Unrestricted	<u>111522</u>	<u>111522</u>
Total Net Assets	\$ 5784871	\$ 5784871

	June 30, 2005	
	<u>Primary Government</u>	
	<u>Business-type</u>	
	<u>Activities</u>	<u>Total</u>
<u>Assets</u>		
Current and other assets	\$ 3088921	\$ 3088921
Capital assets, net	<u>7612391</u>	<u>7612391</u>
Total Assets	10701312	10701312

<u>Liabilities</u>		
Long-term liabilities	4740000	4740000
Other liabilities	<u>173709</u>	<u>173709</u>
Total Liabilities	\$ 4913709	\$ 4913709

WEST IRON COUNTY WASTEWATER TREATMENT PLANT

P.O. BOX 246 . CASPIAN, MI 49915 . (906) 265-5209

Government-wide Financial Analysis (Continued)

Summary of Net Assets (Continued)

	June 30, 2005	
	Primary Government	
	Business-type	
	Activities	Total
<u>Net Assets</u>		
Invested in capital assets, net of related debt	\$ 2707391	\$ 2707391
Restricted for payment of debt	2973897	2973897
Unrestricted	<u>106315</u>	<u>106315</u>
Total Net Assets	\$ 5787603	\$ 5787603

The following represents the comparative changes in net assets for business-type activities for the years ended June 30, 2006 and June 30, 2005:

	June 30, 2006	
	Primary Government	
	Business-type	
	Activities	Total
<u>REVENUES</u>		
<i>Program Revenues</i>		
Charges for services	\$ 550331	\$ 550331
Capital grants	0	0
Interest and Investment Earnings	<u>13565</u>	<u>13565</u>
Total Revenues	\$ 563896	\$ 563896

WEST IRON COUNTY WASTEWATER TREATMENT PLANT

P.O. BOX 246 . CASPIAN, MI 49915 . (906) 265-5209

Government-wide Financial Analysis (Continued)

Summary of Net Assets (Continued)

	June 30, 2006	
	<u>Primary Government</u>	
	<u>Business-type</u>	
	<u>Activities</u>	<u>Total</u>
<u>EXPENSES</u>		
Office and Administration	\$ 110851	\$ 110851
Sewer Plant	246450	246450
Interest Expense	88505	88505
Depreciation	<u>76373</u>	<u>76373</u>
Total business-type expenses	\$ 522179	\$ 522179
Increase (Decrease) in Net Assets	41717	41717
Net Assets, Beginning of Year	5787603	5787603
Adjustment to account for prior year defeasement of debt	(44449)	(44449)
Net Assets, End of Year	\$ <u>5784871</u>	\$ <u>5784871</u>

	June 30, 2005	
	<u>Primary Government</u>	
	<u>Business-type</u>	
	<u>Activities</u>	<u>Total</u>
<u>REVENUES</u>		
<i>Program Revenues</i>		
Charges for services	\$ 596911	\$ 596911
Capital grants	0	0
Interest and Investment Earnings	<u>8707</u>	<u>8707</u>
Total Revenues	\$ 605618	\$ 605618

WEST IRON COUNTY WASTEWATER TREATMENT PLANT

P.O. BOX 246 . CASPIAN, MI 49915 . (906) 265-5209

Government-wide Financial Analysis (Continued)

Summary of Net Assets (Continued)

	June 30, 2005	
	<u>Primary Government</u>	
	<u>Business-type</u>	
	<u>Activities</u>	<u>Totals</u>
<u>EXPENSES</u>		
Office and Administration	\$ 109542	\$ 109542
Sewer Plant	335260	335260
Interest Expense	121173	121173
Depreciation	<u>71788</u>	<u>71788</u>
Total business-type expenses	\$ 637763	\$ 637763
 Increase (Decrease) in Net Assets	 (32145)	 (32145)
 Net Assets, Beginning of Year	 5818335	 5818335
 Cumulative effect of a change in application of accounting principles	 1413	 1413
 Net Assets, End of Year	 \$ <u>5787603</u>	 \$ <u>5787603</u>

Business-type Activities

Business-type activities increased the Authority's net assets by \$ 41,717 before the adjustment to account for the prior year defeasement of debt. Charges for services for the sewer plant for the year ended were \$ 550,331.

Total expenses for the sewer plant for the year ended were \$ 522,179.

WEST IRON COUNTY WASTEWATER TREATMENT PLANT

P.O. BOX 246 . CASPIAN, MI 49915 . (906) 265-5209

Proprietary Funds

The Authority's proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail.

Capital Assets and Debt Administration

Capital Assets

The Authority's investment in capital assets, net of accumulated depreciation, for its business-type activities as of June 30, 2006 is \$ 7,610,383. The investment in capital assets includes land, building, machinery and equipment.

There are no infrastructure assets.

Major capital events:

There were no major capital events during the fiscal year ended June 30, 2006.

Long-term debt

The Authority's long-term debt consists of Series 2005 Refunding Revenue Bonds, the balance of which is \$ 2,425,000 at June 30, 2006.

Other Economic Factors

There are no significant plans or major priorities for the Authority for the 2006-2007 fiscal year.

WEST IRON COUNTY WASTEWATER TREATMENT PLANT

P.O. BOX 246 . CASPIAN, MI 49915 . (906) 265-5209

Requests for Information

This financial report is designed to provide a general overview of the Authority's finances for all those with an interest in the Authority's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

West Iron County Sewer Authority
P.O. Box 246
Caspian, Michigan 49915

BASIC FINANCIAL STATEMENTS

WEST IRON COUNTY SEWER AUTHORITY

STATEMENT OF NET ASSETS

JUNE 30, 2006

<u>ASSETS</u>	Business-Type Activities
<u>Current Assets</u>	
Cash and Cash Equivalents (Note B)	\$ 102,057
Accounts Receivable	9,666
Due from External Parties	<u>5,029</u>
Total Current Assets	116,752
<u>Noncurrent Assets</u>	
Restricted Cash	487,966
Capital Assets, Net (Note F)	<u>7,610,383</u>
Total Noncurrent Assets	8,098,349
TOTAL ASSETS	\$ 8,215,101
 <u>LIABILITIES</u>	
<u>Current Liabilities</u>	
Accounts Payable	2,478
Accrued Benefits	2,752
Bonds/Notes Payable (Due within one year)	<u>105,000</u>
Total Current Liabilities	110,230
<u>Noncurrent Liabilities</u>	
Bonds/Notes Payable (Note G)	<u>2,320,000</u>
Total Noncurrent Liabilities	2,320,000
TOTAL LIABILITIES	2,430,230
 <u>NET ASSETS</u>	
Invested in Capital Assets, Net of Related Debt	5,185,383
Restricted for Payment of Debt	487,966
Unreserved and Undesignated	<u>111,522</u>
TOTAL NET ASSETS	<u>\$ 5,784,871</u>

The notes to the financial statements are integral part of this report.

WEST IRON COUNTY SEWER AUTHORITY

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2006

				Net(Expense) Revenue and Changes in Net Assets
PROGRAM REVENUES				
Functions/Programs	Expenses	Charges for Services	Operating Grants & Contributions	Business-Type Activities
Business-type Activities				
Office and Administration	\$ 110,851	\$ -	\$ -	\$ (110,851)
Sewer Plant	246,450	550,331		303,881
Interest Expense	88,505			(88,505)
Depreciation (Unallocated)	76,373			(76,373)
Total Business-type Activities	\$ 522,179	\$ 550,331	\$ -	\$ 28,152
General Revenues:				
Interest and Investment Earnings				13,565
Total General Revenues				13,565
Change in Net Assets				41,717
Net Assets - Beginning of year				5,787,603
Adjust to account for prior year defeasement of debt				(44,449)
Net Assets - End of year				\$ 5,784,871

The notes to the financial statements are an integral part of this report.

WEST IRON COUNTY SEWER AUTHORITY

STATEMENT OF FUND NET ASSETS - ENTERPRISE FUND

JUNE 30, 2006

	<u>Sewer Authority</u>
<u>ASSETS</u>	
<u>Current Assets:</u>	
Cash, unrestricted	\$ 102,057
Accounts Receivable, net	9,666
Due from External Parties	<u>5,029</u>
Total Current Assets	116,752
<u>Non-current Assets:</u>	
Restricted cash	487,966
Capital assets:	
Land and Improvements	38,933
Building	6,692,707
Sewer Station: Lines and Equipment	4,830,481
Furniture and Fixtures	2,508
Less allowance for depreciation	<u>(3,954,246)</u>
Total Capital assets	7,610,383
Total Non-current Assets	8,098,349
TOTAL ASSETS	\$ 8,215,101
<u>LIABILITIES</u>	
<u>Current Liabilities:</u>	
Accounts payable	2,478
Accrued benefits	2,752
Bonds/notes payable (Due within one year)	<u>105,000</u>
Total Current Liabilities	110,230
<u>Noncurrent Liabilities:</u>	
Bonds/notes payable	<u>2,320,000</u>
Total Noncurrent Liabilities	2,320,000
TOTAL LIABILITIES	2,430,230
<u>NET ASSETS</u>	
Invested in Capital Assets, Net of Related Debt	5,185,383
Restricted for payment of debt	487,966
Unrestricted and Undesignated	<u>111,522</u>
TOTAL NET ASSETS	<u>\$ 5,784,871</u>

The notes to the financial statements are integral part of this report.

WEST IRON COUNTY SEWER AUTHORITY

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -
ENTERPRISE FUND**

FISCAL YEAR ENDED JUNE 30, 2006

OPERATING REVENUES

Charges for Services - Municipal Units	
Operating and Maintenance	\$ 342,661
Debt Retirement	168,345
Charges for Services - Other	1,200
Miscellaneous Revenues	38,125
	38,125
TOTAL OPERATING REVENUES	\$ 550,331

OPERATING EXPENSES

Personal Services and Benefits	195,778
Repairs and Maintenance	4,809
Other Supplies and Expenses	45,863
Office and Administration	110,851
Depreciation	76,373
Miscellaneous	
	76,373
TOTAL OPERATING EXPENSES	\$ 433,674

OPERATING INCOME (LOSS)	116,657
--------------------------------	----------------

Non-Operating Revenues (Expenses:)

Interest Revenue	13,565
Interest Expense	(88,505)
	(74,940)
Total Non-Operating Revenues (Expenses)	(74,940)

CHANGE IN NET ASSETS	41,717
-----------------------------	---------------

NET ASSETS, BEGINNING OF YEAR	5,787,603
--------------------------------------	------------------

Adjustment to account for prior year defeasement of debt	(44,449)
--	----------

NET ASSETS, END OF YEAR	\$ 5,784,871
--------------------------------	---------------------

The notes to the financial statements are an integral part of this report.

WEST IRON COUNTY SEWER AUTHORITY

STATEMENT OF CASH FLOWS – ENTERPRISE FUND

FISCAL YEAR ENDED JUNE 30, 2006

CASH FLOWS FROM (USED BY)

OPERATING ACTIVITIES

Net cash received from fees and services	\$ 503,920
Other operating revenues	38,125
Cash payments to employees for services	(164,851)
Cash payments to goods and services	(189,338)
Other operating expenses	-
	-

NET CASH FROM OPERATING ACTIVITIES	\$ 187,856
---	-------------------

NON CAPITAL AND FINANCING ACTIVITIES

(Increase) decrease in due from other funds	
Increase (decrease) in due to other funds	1,312
Net operating transfers in (out)	-
	-

NET CASH USED BY NON CAPITAL AND FINANCING ACTIVITIES	\$ 1,312
--	-----------------

CAPITAL AND RELATED FINANCING ACTIVITIES

Acquisition and construction of capital assets	(74,365)
Principal payment on long-term bonds	(80,000)
Interest and fees paid on long-term bonds	(88,504)
Adjustment due to defeasement of debt	(2,451,041)
Proceeds from borrowings	-
Underwriter Discount / Bond Insurance	-
	-

NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES	\$ (2,693,910)
---	-----------------------

INVESTING ACTIVITIES

Interest Income	13,565
	13,565

NET CASH FROM INVESTING ACTIVITIES	\$ 13,565
---	------------------

NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(2,491,177)
--	-------------

Cash and Cash Equivalents, Beginning of Year	3,081,200
	3,081,200

Cash and Cash Equivalents, End of Year	\$ 590,023
---	-------------------

The notes to the financial statements are an integral part of this report.

WEST IRON COUNTY SEWER AUTHORITY

**STATEMENT OF CASH FLOWS - ENTERPRISE FUND
(CONTINUED)**

FISCAL YEAR ENDED JUNE 30, 2006

**CASH FLOWS FROM OPERATING
ACTIVITIES**

Operating Income (Loss)	\$ 116,657
Adjustment to reconcile operating income to net cash provided by operating activities:	
. Depreciation	76,373
. Provision for uncollectible accounts	
. Changes in assets and liabilities :	
(Increase) Decrease in accounts receivable	(8,286)
Increase (Decrease) in accounts payable	2,478
Increase (Decrease) in accrued benefits	634
Increase (Decrease) in customer deposits	-
	<hr/>
NET CASH FROM OPERATING ACTIVITIES	\$ 187,856

The notes to the financial statements are an integral part of this report.

WEST IRON COUNTY SEWER AUTHORITY

FIDUCIARY FUND

STATEMENT OF FIDUCIARY NET ASSETS

JUNE 30, 2006

	<u>PRIVATE-PURPOSE TRUST FUND</u>
<u>ASSETS</u>	
Cash and Cash Equivalents	<u>\$ 15,000</u>
TOTAL ASSETS	15,000
<u>LIABILITIES</u>	
Due to Other Funds	5,029
Accrued Benefits	<u>9,971</u>
TOTAL LIABILITIES	15,000
<u>NET ASSETS</u>	
Restricted for Employee Benefits	-
Unrestricted	-
TOTAL NET ASSETS	<u><u>\$ -</u></u>

The notes to the financial statements are an integral part of this report.

WEST IRON COUNTY SEWER AUTHORITY

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

YEAR ENDED JUNE 30, 2006

	<u>PRIVATE-PURPOSE TRUST FUND</u>
<u>ADDITIONS</u>	
Decrease in amounts due to Proprietary Fund	<u>\$ 1,312</u>
TOTAL ADDITIONS	1,312
<u>DEDUCTIONS</u>	
Increase in employee sick leave benefits accrued	<u>1,312</u>
TOTAL DEDUCTIONS	1,312
CHANGE IN NET ASSETS	-
NET ASSETS - BEGINNING OF YEAR	<u>-</u>
NET ASSETS - END OF YEAR	<u>\$ -</u>

The notes to the financial statements are an integral part of this report.

NOTES TO THE FINANCIAL STATEMENTS

WEST IRON COUNTY SEWER AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting methods and procedures adopted by the **West Iron County Sewer Authority**, Caspian, Michigan, conform to generally accepted accounting principles as applicable to governmental entities. The following is a summary of the more significant policies:

THE FINANCIAL REPORTING ENTITY

The Authority was organized to provide sewer service to the cities of Iron River, Stambaugh, (now consolidated with the new City of Iron River), Caspian, Gaastra, and a portion of Iron River Township. The first grant applications were filed in 1982. Two members from each participating municipality are appointed by their respective governmental entities to serve on the Board of Trustees of the **West Iron County Sewer Authority**.

In accordance with the provisions of GASB 14, certain other governmental organizations are not considered to be part of the entity for financial reporting purposes.

WEST IRON COUNTY SEWER AUTHORITY

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

THE FINANCIAL REPORTING ENTITY (Continued)

The criteria established by GASB 14 for determining the various governmental organizations to be included in the reporting entity's financial statements include separation of electing governing body and legal status, and fiscal independence. On this basis, there are no discretely presented component units to be included in the reporting entity.

BLENDED COMPONENT UNITS

A blended component unit is a legally separate entity from the local unit, but is so intertwined with the local unit that it is, in substance, the same as the local governmental unit.

A basic strategy of GASB 14 is to present financial information for component units separately from the financial information for the primary government. This is achieved through the discrete presentation method.

WEST IRON COUNTY SEWER AUTHORITY

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BLENDED COMPONENT UNITS (Continued)

However, in the case of blended component units, GASB believes that it would be more appropriate to use the blending method to incorporate the financial information of a component unit into the reporting entity's financial statements. When the blending method is used, transactions and balances of a component unit are merged with similar transactions and balances of the primary government so that there is no way to identify which balances relate to the component unit and which relate to the primary government.

On the basis described above, there are no discretely presented component units, nor are there any blended component units whose financial statements are included in the financial statements of the **West Iron County Sewer Authority**.

WEST IRON COUNTY SEWER AUTHORITY

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

JOINT VENTURES

A joint venture is a legal entity or other organization that results from a contractual agreement and that is owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control, in which the participants retain an ongoing financial interest or an ongoing financial responsibility.

An ongoing financial responsibility is determined as a participating government's obligation in some manner for debts or the joint venture's existence depends on continued funding by the participating government.

There are no joint ventures to be reported.

WEST IRON COUNTY SEWER AUTHORITY

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

JOINTLY GOVERNED ORGANIZATIONS

A jointly governed organization is a multi-governmental arrangement that is governed by representatives from each of the governments that create the organization, but that is not a joint venture because the participants do not retain an ongoing financial interest or responsibility.

There are no jointly governed organizations to be reported.

RELATED ORGANIZATIONS

A related organization is an organization for which a primary government is not financially accountable (because it does not impose will or have a financial benefit or burden relations) even though the primary government appoints a voting majority of the organization's governing board.

WEST IRON COUNTY SEWER AUTHORITY

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

RELATED ORGANIZATIONS (Continued)

There are no related organizations to be reported.

BASIS OF PRESENTATION

The Authority follows GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. GASB Statement No. 34 adds the following components to the financial statements:

Management's Discussion and Analysis

A narrative introduction and analytical overview of the government's financial activities. This analysis is similar to the analysis the private sector provides in their annual reports.

Government-wide financial statements

These include financial statements prepared using full accrual accounting for all of the government's activities.

WEST IRON COUNTY SEWER AUTHORITY

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

Government-wide financial statements (Continued)

This approach includes not just current assets and liabilities (such as cash and accounts payable) but also capital assets and long-term liabilities (such as buildings and infrastructure, including bridges and roads, and general obligation debt). Annual accounting also reports all of the revenues and costs of providing services each year, not just those received or paid in the current year or soon thereafter. The government-wide statements include the Statement of Net Assets and the Statement of Program Activities.

Statement of Net Assets

The Statement of Net Assets displays the financial position of the primary government (government and business-type activities, where applicable).

WEST IRON COUNTY SEWER AUTHORITY

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

Statement of Net Assets (Continued)

Governments report all capital assets, including infrastructure, in the government-wide Statement of Net Assets and report depreciation expenses - the cost of "using up" capital assets - in the Statement of Activities. The net assets of a government are broken down into three categories - 1) invested in capital assets, net of related debt; 2) restricted; and 3) unrestricted.

Statement of Program Activities

The statement of program activities reports expenses and revenues in a format that focuses on the cost of the government's functions. The expense of individual functions is compared to the revenues generated directly by the function (for instance, through user charges or intergovernmental grants).

WEST IRON COUNTY SEWER AUTHORITY

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

BASIS OF PRESENTATION (Continued)

**GOVERNMENT-WIDE AND FUND FINANCIAL
STATEMENTS**

The basic financial statements include both government-wide (based on the Authority as a whole) and fund financial statements. The reporting model focus is on both the Authority as a whole and the fund financial statement (business-type categories).

Both the government-wide and fund financial statements (within the basic financial statements) categorize primary activities as business type only. In the government-wide Statement of Net Assets, the business-type activities column (a) is presented, and (b) is reflected, on a full accrual, economic resource basis, which incorporates long-term assets and receivables as well as long-term debt and obligations.

WEST IRON COUNTY SEWER AUTHORITY

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

BASIS OF PRESENTATION (Continued)

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Continued)

Both government-wide and fund financial statement presentations provide valuable information that can be analyzed and compared (between years and between governments) to enhance the usefulness of the financial information.

The Authority generally uses restricted assets first for expenses incurred for which both restricted and unrestricted assets are available. The Authority may defer the use of restricted assets based on a review of the specific transaction.

The government-wide Statement of Activities reflects both the gross and net cost per functional category (office and administration, sewer plant, interest, and depreciation) that are otherwise being supported by general government revenues (interest and investment earnings).

WEST IRON COUNTY SEWER AUTHORITY

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

BASIS OF PRESENTATION (Continued)

**GOVERNMENT-WIDE AND FUND FINANCIAL
STATEMENTS (Continued)**

In the fund financial statements, financial transactions and accounts of the Authority are organized on the basis of funds.

The operation of each fund is considered to be an independent fiscal and separate accounting entity, with a self-balancing set of accounts recording cash and/or other financial resources together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

WEST IRON COUNTY SEWER AUTHORITY

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

BASIS OF PRESENTATION (Continued)

PROPRIETARY FUNDS

Enterprise Funds

These funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises----where the intent of the governing body is that the costs (expenses including depreciation) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purpose.

For reporting purposes, the Sewer Authority Enterprise Fund is the major fund.

WEST IRON COUNTY SEWER AUTHORITY

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

FIDUCIARY FUNDS

These funds are used to account for assets held by the Authority in a trustee capacity or as an agent for other individuals, private organizations, other governmental units and/or other funds. The Authority's Sick Leave Fund is a fiduciary fund.

It is classified as a private-purpose trust fund.

MEASUREMENT FOCUS

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The government-wide statement of net assets, statement of activities, and the proprietary funds are accounted for on a flow of economic resources measurement focus.

WEST IRON COUNTY SEWER AUTHORITY

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

MEASUREMENT FOCUS (Continued)

With this measurement focus, all assets and all liabilities associated with the operation of these activities are included on the statement of net assets. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

The statement of net assets, statement of activities, and financial statements of the Proprietary Fund are presented on the accrual basis of accounting.

Under this method of accounting, revenues are recognized when earned and expenses are recorded when liabilities are incurred without regard to receipt or disbursement of cash.

WEST IRON COUNTY SEWER AUTHORITY

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

MEASUREMENT FOCUS (Continued)

The local government unit applies all GASB pronouncements as well as the FASB pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

ENCUMBRANCES

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriations, is employed for accountability purposes only.

WEST IRON COUNTY SEWER AUTHORITY

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

ENCUMBRANCES (Continued)

It is the Authority's policy to honor all unfilled contracts/orders at year-end, but the authority to complete these transactions is provided by the new year's budget appropriations, as unexpended appropriations of the current year lapse at year-end.

CASH AND CASH EQUIVALENTS

The Authority pools cash resources of its various funds to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balance in the pooled cash accounts is available to meet current operating requirements.

The Authority classifies cash on hand, cash on deposit (including certificates of deposit), and highly liquid investments with an original maturity of ninety days or less when purchased as cash in its financial statements.

WEST IRON COUNTY SEWER AUTHORITY

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

INVENTORIES

Inventories of supplies are expended as received.

RECEIVABLES

User charges for the Proprietary Fund are recorded as receivable when billed. All receivables are reported at their gross value.

INTEREST RECEIVABLE

Interest on certificates of deposit is recorded as revenue in the year the interest is earned and is available to pay liabilities of the current period.

DEFERRED REVENUE

Deferred revenue represents amounts for which asset recognition criteria have been met but for which revenue recognition criteria have not been met, whereby such amounts are measurable but not considered currently available resources.

WEST IRON COUNTY SEWER AUTHORITY

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

RETAINED EARNINGS

Unreserved retained earnings represent net assets available for future operations or distribution. Reserved retained earnings represent net assets that have been legally identified for specific purposes. Designated retained earnings represent amounts earmarked by the Authority for future expenditures.

NON-MONETARY TRANSACTIONS

The Single Audit Act of 1984, as amended, and OMB Circular A-133 defines federal financial assistance to include both monetary and non-monetary forms of assistance provided by or passed down from a federal agency, such as grants, contracts, loans, loan guarantees, property, etc.

WEST IRON COUNTY SEWER AUTHORITY

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

CAPITAL ASSETS

To the extent the Authority's capitalization threshold of \$500 is met, capital outlays of the Proprietary Funds are recorded as fixed assets and depreciated over their estimated useful lives on a straight-line basis on both the funds basis and the governmental-wide basis using the straight-line method and the following estimated useful lives:

Land Improvements..... 20 years

Equipment..... 5 - 20 years

All fixed assets are valued at historical cost or estimated historical cost if actual cost was not available.

WEST IRON COUNTY SEWER AUTHORITY

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

CAPITAL ASSETS (Continued)

Donated fixed assets are valued at their estimated fair market value on the date donated.

Maintenance, repairs, and minor equipment are charged to operations when incurred. Expenses that materially change capacities or extend useful lives are capitalized. Upon sale or retirement of land, buildings, and equipment, the cost and related accumulated depreciation, if applicable, are eliminated from the respective accounts and any resulting gain or loss is included in the results of operations.

WEST IRON COUNTY SEWER AUTHORITY

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

COMPENSATED ABSENCES

Employees earn sick leave benefits at the rate of one day per month, which can accrue to a maximum of 120 days. At separation or retirement, employees are paid out 50% of the unused sick days calculated at the employees' current rate of pay.

At June 30, 2006, the total liability of the Authority based on this 50% payoff rate, plus related costs of FICA is \$ 12,464.

As required by the provisions of GASB 16, estimates have been made to determine the current portion of the liability using historical averages. This is the amount which could reasonably be expected to be used within the next 12 month period. This has been expended in the current period, along with related FICA costs. The balance, or long term portion of the liability, including related FICA expense, is reflected on the Private-Purpose Trust Fund's balance sheet.

WEST IRON COUNTY SEWER AUTHORITY

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

COMPENSATED ABSENCES (Continued)

It is the Authority's policy to fund this long-term liability in the amount of at least 50% of the estimated liability. Based on the long-term liability of \$9,971, funding of \$4,986 is required. At June 30, 2006, the Authority had funded the account in the amount of \$15,000.

POST EMPLOYMENT BENEFITS

When employment is interrupted or terminated, all insurance coverage continues only for the balance of the month in which such termination occurs or until the next premium is due, whichever is later.

WEST IRON COUNTY SEWER AUTHORITY

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE B - CASH, DEPOSITS, AND INVESTMENTS

CASH RESERVES

Revenue Refunding Bonds, Series 2005

As provided in Ordinance No. 4, the Revenues of the System shall be set aside into a separate fund designated the West Iron County Sewage Disposal System Receiving Fund, and the moneys so deposited therein shall be transferred, expended, and used only in the manner and order as follows:

WEST IRON COUNTY SEWER AUTHORITY

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2006

NOTE B - CASH, DEPOSITS, AND INVESTMENTS (CONTINUED)

CASH RESERVES (Continued)

Operation and Maintenance Fund

Pursuant to Ordinance No. 4, there has been established and maintained a separate fund designated the Operation and Maintenance Fund. Revenues in the Operation and Maintenance Fund shall remain in said fund. Revenues shall be transferred each quarter of the fiscal year from the receiving fund to the Operation and Maintenance Fund to pay the reasonable and necessary current expenses of administration and operating and maintaining the System for the ensuing quarter.

Bond and Interest Redemption Fund

Revenues shall be transferred each quarter of the fiscal year from the Receiving Fund, before any other expenditures or transfer there-from, and deposited in the Bond and Interest Redemption Fund for payment of principal of and interest on the outstanding bonds.

WEST IRON COUNTY SEWER AUTHORITY

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2006

NOTE B - CASH, DEPOSITS, AND INVESTMENTS (CONTINUED)

CASH RESERVES (Continued)

**Bond and Interest Redemption Fund
(Continued)**

On the first day of each quarter, there shall be set aside an amount not less than $\frac{1}{2}$ of the amount of interest due on the next interest payment date. There shall also be set aside on the first day of each quarter of the fiscal year an amount not less than $\frac{1}{4}$ of the amount of principal due on the next principal payment date.

On June 30, 2006, the Authority is required to have reserved \$ 49,399 in the Bond and Interest Redemption Fund. The actual balance as of June 30 was \$ 77,074.

Bond Reserve Account

Established within the Bond and Interest Redemption Fund is a separate account designated as the Bond Reserve Account. As stipulated in the Sales Resolution, the amount of \$214,652 was to be transferred from the proceeds of the Refunding Bonds into the Bond Reserve Account.

WEST IRON COUNTY SEWER AUTHORITY

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2006

NOTE B - CASH, DEPOSITS, AND INVESTMENTS (CONTINUED)

CASH RESERVES (Continued)

Bond Reserve Account (Continued)

No further deposits are required to be made once the aforesaid sums have been deposited.

At June 30, 2006, the balance in the Bond Reserve Account was \$ 219,880.

Repair and Reconstruction Account

Revenues are to be transferred each quarter of the fiscal year from the Receiving Fund and deposited in the Repair and Reconstruction Account in such amount as necessary to maintain the Repair and Reconstruction Account at not less than \$ 50,000. Moneys in this account shall be used and disbursed only for the purpose of paying the cost of repairing or replacing any damage to the System, or making improvements to the System, and when necessary, for the purpose of making payments of principal and interest on the Bonds.

WEST IRON COUNTY SEWER AUTHORITY

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2006

NOTE B - CASH, DEPOSITS, AND INVESTMENTS (CONTINUED)

CASH RESERVES (Continued)

**Repair and Reconstruction Account
(Continued)**

At June 30, 2006, the balance in the Repair and Reconstruction Account was \$ 149,869.

Improvement Fund

Although not required under Ordinance 4, the **West Iron County Sewer Authority** also maintains a balance of \$10,000 in an Improvement Fund.

PRIMARY GOVERNMENT

On June 30, 2006, the carrying value of the Authority's deposits (Primary Government) was \$ 605,023 and is comprised of cash and deposits reflected in the following funds:

WEST IRON COUNTY SEWER AUTHORITY

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2006

NOTE B - CASH, DEPOSITS, AND INVESTMENTS (CONTINUED)

PRIMARY GOVERNMENT (Continued)

<u>PRIMARY GOVERNMENT</u>	
<u>Enterprise Funds</u>	\$
Proprietary Funds	<u>590023</u>
Total Enterprise Funds	590023
<u>Fiduciary Funds</u>	
Private-Purpose Trust Fund	<u>15000</u>
Total Fiduciary Funds	15000
<i>TOTAL PRIMARY GOVERNMENT</i>	\$ 605023

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the local unit's cash deposits classifies cash according to three levels of risk.

WEST IRON COUNTY SEWER AUTHORITY

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2006

NOTE B - CASH, DEPOSITS, AND INVESTMENTS (CONTINUED)

The three levels of risk are as follows:

Category 1

Deposits which are insured or collateralized with securities held by the Sewer Authority or its agent in the Sewer Authority's name.

Category 2

Deposits which are collateralized with securities held by the pledging financial institution's trust department or agent in the Sewer Authority's name.

WEST IRON COUNTY SEWER AUTHORITY

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2006

NOTE B - CASH, DEPOSITS, AND INVESTMENTS (CONTINUED)

Category 3

Deposits which are not collateralized or insured.

Based on these levels of risk, the Authority's cash deposits (Primary Government) are classified as follows:

SCHEDULE OF CASH AND DEPOSITS

PRIMARY GOVERNMENT

	Category <u>1</u>	Category <u>2</u>	Category <u>3</u>	<u>Total</u>
Cash and Deposits	\$ 255586	\$ -0-	\$ 349437	\$ 605023

WEST IRON COUNTY SEWER AUTHORITY

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2006

NOTE B - CASH, DEPOSITS, AND INVESTMENTS (CONTINUED)

INVESTMENTS

The Authority's investments are categorized below to give an indication of the level of risk assumed at year-end.

Category 1 includes investments that are insured or registered or for which the securities are held by the Authority or its agent in the Authority's name. **Category 2** includes uninsured and unregistered investments for which the securities are held by the broker's or dealer's safekeeping department or agent in the Authority's name. **Category 3** includes uninsured and registered investments for which the securities are held by the broker or dealer, or by its safekeeping department or agent, but not in the Authority's name.

WEST IRON COUNTY SEWER AUTHORITY

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2006

NOTE B - CASH, DEPOSITS, AND INVESTMENTS (CONTINUED)

INVESTMENTS (Continued)

The Authority has no investments, as reflected below:

<u>Investment Type</u>	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>	<u>Carrying Value</u>	<u>Market Value</u>
	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>-0-</u>
Total Investments	\$ <u><u>-0-</u></u>	\$ <u><u>-0-</u></u>	\$ <u><u>-0-</u></u>	\$ <u><u>-0-</u></u>	\$ <u><u>-0-</u></u>

STATUTORY AUTHORITY

Act 196, PA 1997, authorizes the Authority to deposit and invest in:

WEST IRON COUNTY SEWER AUTHORITY

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2006

NOTE B - CASH, DEPOSITS, AND INVESTMENTS (CONTINUED)

STATUTORY AUTHORITY (Continued)

1. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
2. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution eligible to be a depository of funds belonging to the State of Michigan under a law or rule of this state or the United States.
3. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.

WEST IRON COUNTY SEWER AUTHORITY

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2006

NOTE B - CASH, DEPOSITS, AND INVESTMENTS (CONTINUED)

STATUTORY AUTHORITY (Continued)

4. Repurchase agreements consisting of instruments issued by the United States or an agency or instrumentality of the United States.
5. Bankers acceptances of United States banks.
6. Obligations of the State of Michigan or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.
7. Mutual funds registered under the Investment Act of 1950 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.

WEST IRON COUNTY SEWER AUTHORITY

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2006

NOTE B - CASH, DEPOSITS, AND INVESTMENTS (CONTINUED)

STATUTORY AUTHORITY (Continued)

The Authority has adopted an investment policy, allowing for all types of deposits and investments listed above. The Authority's deposits and investments are in compliance with its investment policy.

NOTE C - PENSION PLAN

DESCRIPTION OF PLAN AND PLAN ASSETS

The **West Iron County Sewer Authority** is in an agent multiple-employer defined benefit pension plan with the Municipal Employees' Retirement System (MERS).

The system provides the following provisions: normal retirement, deferred retirement, service retirement allowance, disability retirement allowance, non-duty-connected death and post-retirement adjustments to plan members and their beneficiaries.

WEST IRON COUNTY SEWER AUTHORITY

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2006

NOTE C - PENSION PLAN (CONTINUED)

**DESCRIPTION OF PLAN AND PLAN ASSETS -
(Continued)**

The service requirement is computed using credited service at the time of termination of membership multiplied by the sum of 2.25 percent times the final average compensation (FAC) with a maximum benefit of 80 percent of FAC. The most recent period for which actuarial data was available was for the fiscal year ended December 31, 2005.

MERS was organized pursuant to Section 12a of Act#156, Public Acts of 1851 (MSA 5.333(a); MCLA 46.12(a), as amended, State of Michigan.

MERS is regulated under Act No. 427 of the Public Acts of 1984, sections of which have been approved by the State Pension Commission.

WEST IRON COUNTY SEWER AUTHORITY

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2006

NOTE C - PENSION PLAN (CONTINUED)

**DESCRIPTION OF PLAN AND PLAN ASSETS -
(Continued)**

MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system.

That report may be obtained by writing to:

<p>MERS 447 North Canal Street Lansing, Michigan 48917-9755</p>

FUNDING POLICY

The obligation to contribute to and maintain the system for these employees was established by negotiation with the **West Iron County Sewer Authority's** competitive bargaining unit and personnel policy, which does not require employees to contribute to the plan.

WEST IRON COUNTY SEWER AUTHORITY

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2006

NOTE C - PENSION PLAN (CONTINUED)

FUNDING POLICY (Continued)

The Authority is required to contribute at an actuarially determined rate; the current rate was 21.02 percent at December 31, 2005.

ANNUAL PENSION COST

During the fiscal year ended June 30, 2006, the Authority's contributions totaling \$22,018 were made in accordance with the contribution requirement determined by an actuarial valuation of the plan as of December 31, 2005. The employer contribution rate has been determined based on the entry age normal funding method. Under the entry age normal funding method, the total employer contribution is comprised of the normal cost plus the level annual percentage of payroll payment required to amortize the unfunded actuarial accrued liability over 30 years. The employer normal cost is, for each employee, the level percentage of payroll contribution (from entry age to retirement) required to accumulate sufficient assets at the member's retirement to pay for his projected benefit.

WEST IRON COUNTY SEWER AUTHORITY

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2006

NOTE C - PENSION PLAN (CONTINUED)

ANNUAL PENSION COST (Continued)

Significant actuarial assumptions used include a long-term investment yield rate of 8 percent and annual salary increases of 4.5 percent based on age-related scale to reflect merit, longevity, and promotional salary increases.

**REQUIRED SUPPLEMENTARY INFORMATION
FOR GASB STATEMENT NO. 25**

The following information has been prepared to provide the information necessary to comply with GASB Statements Number 25 and 27. Statement 25 is effective for fiscal years beginning after June 15, 1996 and Statement 27 is effective for fiscal years beginning after June 15, 1998.

All entries are based on the actuarial methods and assumptions that were used in the December 31, 2004 actuarial valuation to determine the annual employer contribution amounts.

WEST IRON COUNTY SEWER AUTHORITY

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2006

NOTE C - PENSION PLAN (CONTINUED)

**REQUIRED SUPPLEMENTARY INFORMATION
FOR GASB STATEMENT NO. 25 (Continued)**

The entry age normal actuarial method was used to determine the entries at disclosure.

GASB 25 INFORMATION (AS OF 12/31/05)

Actuarial Accrued Liability

Retirees and beneficiaries currently receiving benefits	\$	494317
Terminated employees not yet receiving benefits		70616
Current employees - Accumulated employee contributions including allocated investment income		5884
Employer Financed		<u>195723</u>
Total Actuarial Accrued Liability		766540
Total Assets Available for Benefits at Actuarial Value	\$	536165
Market Value is \$ 522037		
Unfunded (Over-funded) Actuarial Accrued Liability	\$	230375

WEST IRON COUNTY SEWER AUTHORITY

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2006

NOTE C - PENSION PLAN (CONTINUED)

GASB 27 INFORMATION (as of 12/31/05)

Fiscal Year Beginning	July 01, 2007
Annual Required Contribution (ARC)	\$ 26052*
Amortization Factor Used – Under-funded Liability (30 years)	0.053632

- * Based on valuation payroll. For divisions that are open to new hires the actual required contribution will be based on current monthly payroll (during the fiscal year beginning July 01, 2007) times the computed employer contribution rate(s) shown in Tables 15 and 16. The ARC shown here is the sum of the ARC's calculated separately for each division.

NOTE D - ACCUMULATED FUND DEFICITS

At June 30, 2006, the Authority had no fund balance/retained earnings deficit in any fund.

WEST IRON COUNTY SEWER AUTHORITY

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2006

NOTE E - RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Authority.

NOTE F - CAPITAL ASSETS

BUSINESS-TYPE ACTIVITIES

The following is a summary of the changes in capital assets for the fiscal year ended June 30, 2006:

WEST IRON COUNTY SEWER AUTHORITY

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2006

NOTE F - CAPITAL ASSETS (CONTINUED)

	Balance June 30, <u>2005</u>	<u>Increases</u>	<u>Decreases</u>	Balance June 30, <u>2006</u>
<u>BUSINESS-TYPE ACTIVITIES</u>				
Capital Assets Not Being Depreciated	\$	\$	\$	\$
Land, Easements, and Right-of-Way	<u>38933</u>	<u>0</u>	<u>0</u>	<u>38933</u>
Total Capital Assets Not Being Depreciated	\$ 38933	\$ 0	\$ 0	\$ 38933
<u>Other Capital Assets</u>				
Buildings	6656017	36690	0	6692707
Machinery and Equipment	<u>4795314</u>	<u>37675</u>	<u>0</u>	<u>4832989</u>
Total Other Capital Assets	\$ 11451331	\$ 74365	\$ 0	\$ 11525696
<u>Less Accumulated Depreciation for:</u>				
Machinery and Equipment	<u>(3877873)</u>	<u>(76373)</u>	<u>0</u>	<u>(3954246)</u>
Total Accumulated Depreciation	(3877873)	(76373)	0	(3954246)
TOTAL BUSINESS-TYPE ACTIVITIES	\$ <u>7612391</u>	\$ <u>(2008)</u>	\$ <u>0</u>	\$ <u>7610383</u>

WEST IRON COUNTY SEWER AUTHORITY

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2006

NOTE G - LONG-TERM DEBT

The following is a summary of the primary government's
long-term debt obligation at June 30, 2006:

	July 01, <u>2005</u>	<u>Additions</u>	<u>Deductions</u>	June 30, <u>2006</u>
Refunding Revenue Bonds, Series 2005	\$ <u>2505000</u>	\$ <u>-0-</u>	\$ <u>80000</u>	\$ <u>2425000</u>
Total	\$ 2505000	\$ -0-	\$ 80000	\$ 2425000

WEST IRON COUNTY SEWER AUTHORITY

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2006

NOTE G - LONG-TERM DEBT (CONTINUED)

REFUNDING REVENUE BONDS, SERIES 2005

On May 26, 2005, the **West Iron County Sewer Authority** issued \$ 2,505,000 in Refunding Revenue Bonds, Series 2005 to pay the cost of refunding all or a portion of the **West Iron County Sewer Authority's** outstanding Sewage Disposal System Revenue Refunding Bonds; to provide for the collection of revenues from the operation and maintenance of the system and to pay the principal of and interest on the revenue funding bonds; to provide an adequate reserve fund for the revenue refunding bonds; to provide for the rights of the holders of the revenue refunding bonds in enforcement thereof; to provide for other matters relating to the system and the revenue refunding bonds. The bonds were issued in order to realize a reduction in the amount of debt service payments required to be paid on the Refunding Bonds as compared to the Outstanding Bonds.

Principal payments are due on April 01 of each year, beginning on April 01, 2006.

WEST IRON COUNTY SEWER AUTHORITY

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2006

NOTE G - LONG-TERM DEBT (CONTINUED)

REFUNDING REVENUE BONDS, SERIES 2005

(Continued)

The first interest payment was payable on October 01, 2005,
and semi-annually on April 01 and October 01 thereafter.

Scheduled payments of principal and interest are as follows:

Year Ending June 30	April 01		October 01	
	<u>Principal</u>	<u>Interest</u>	<u>Interest</u>	<u>Total</u>
2006	\$	\$	\$ 46298	\$ 46298
2007	105000	46297	44723	196020
2008	105000	44722	43095	192817
2009	110000	43095	41335	194430
2010	115000	41335	39466	195801
2011	115000	39466	37511	191977
2012	120000	37511	35411	192922
2013	125000	35411	33161	193572
2014	140000	33161	30571	203732
2015	135000	30571	28006	193577
2016-2020	775000	110854	95174	981028
2021-2023	<u>580000</u>	<u>24856</u>	<u>12530</u>	<u>617386</u>
	\$ 2425000	\$ 487279	\$ 487281	\$ 3399560

WEST IRON COUNTY SEWER AUTHORITY

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2006

NOTE H - SEGMENT INFORMATION

Operating Revenues	\$ 550331
Depreciation and Amortization Expense	76373
Operating Income or (Loss)	116657
Operating Grants, Entitlements, and Shared Revenues	0
Operating Transfers:	
In	0
(Out)	0
Tax Revenues	0
Net Income or Loss	41717
Current Capital:	
Contributions	0
Transfers	0
Property, Plant, and Equipment	
Additions	74365
Deletions	0

(Continued on page 73)

WEST IRON COUNTY SEWER AUTHORITY

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2006

NOTE H - SEGMENT INFORMATION (CONTINUED)

(Continued from previous page)

Net working capital	\$ 494488
Total Assets	8215101
Bonds and Other Long-Term Liabilities	
Payable from Operating Revenues	2320000
Payable from Other Sources	0
Total Equity	5784871

NOTE I - RELATED PARTY TRANSACTIONS

Related parties exist when there is a relationship that offers the potential for transactions at less than arm's length, favorable treatment, or the ability to influence the outcome of events differently from that which might result in the absence of that relationship.

WEST IRON COUNTY SEWER AUTHORITY

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2006

NOTE I RELATED PARTY TRANSACTIONS (CONTINUED)

Financial statements must include disclosure of material related party transactions, other than compensation arrangements, expense allowances and similar items in the ordinary course of business. However, disclosure of transactions that are eliminated in the preparation of combined financial statements is not required in those statements.

On this basis, there were no related party transactions reported in the financial statements.

NOTE J - SUBSEQUENT EVENTS

Subsequent events have a material effect on the financial statements which requires adjustment or disclosure.

WEST IRON COUNTY SEWER AUTHORITY

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2006

NOTE J - SUBSEQUENT EVENTS (CONTINUED)

They relate to events that provide additional evidence with respect to conditions that existed at the date of the balance sheet and events that provide evidence with respect to conditions that did not exist at the date of the balance sheet but arose subsequent to that date.

At fiscal year ended June 30, 2006, there were no subsequent events that would have a significant effect on the Authority's operations.

NOTE K - COMMITMENTS AND CONTINGENCIES

There are no commitments or contingencies, the reporting of which would have a material effect on the financial position of the **West Iron County Sewer Authority**.

OTHER SUPPLEMENTAL INFORMATION

WEST IRON COUNTY SEWER AUTHORITY

BALANCE SHEET - ENTERPRISE FUND

JUNE 30, 2006

ASSETS

CURRENT ASSETS

Unrestricted Assets

Cash	\$ 102,057
Accounts Receivable	8,308
Overpayments/Refunds Receivable	1,358
Due from Trust and Agency	5,029

Restricted Assets

Cash	<u>487,966</u>
------	----------------

TOTAL CURRENT ASSETS	604,718
-----------------------------	----------------

FIXED ASSETS

Land	36,608
Land Improvements	2,325
Building	6,692,707
Sewer Station: Lines and Equipment	4,830,481
Furniture and Fixtures	2,508
Less: Accumulated Depreciation	<u>(3,954,246)</u>

TOTAL FIXED ASSETS	7,610,383
---------------------------	------------------

TOTAL ASSETS	<u><u>\$8,215,101</u></u>
---------------------	----------------------------------

LIABILITIES AND FUND EQUITY

CURRENT LIABILITIES

Accounts Payable	\$ 2,478
Short-Term Portion of Bonds Payable	105,000
Accrued Benefits	<u>2,752</u>

TOTAL CURRENT LIABILITIES	110,230
----------------------------------	----------------

LONG-TERM LIABILITIES

Bonds Payable	<u>2,320,000</u>
---------------	------------------

TOTAL LONG-TERM LIABILITIES	2,320,000
------------------------------------	------------------

TOTAL LIABILITIES	2,430,230
--------------------------	------------------

FUND EQUITY

Retained Earnings	<u>5,784,871</u>
-------------------	------------------

TOTAL FUND EQUITY	5,784,871
--------------------------	------------------

TOTAL LIABILITIES AND FUND EQUITY	<u><u>\$8,215,101</u></u>
--	----------------------------------

The notes to the financial statements are an integral part of this report.

WEST IRON COUNTY SEWER AUTHORITY

COMPARATIVE STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS -ENTERPRISE FUND

FISCAL YEARS ENDED JUNE 30, 2006 and 2005

	<u>2006</u>	<u>2005</u>
<u>OPERATING REVENUES</u>		
Charges for Services		
Operation and Maintenance	\$ 342,661	\$ 389,371
Debt Retirement	168,345	187,611
Other Sources	1,200	1,200
Miscellaneous	<u>38,125</u>	<u>18,729</u>
TOTAL OPERATING REVENUES	550,331	596,911
<u>OPERATING EXPENSES</u>		
Salaries and Wages	107,896	128,797
Board Fees	2,995	3,655
Contracted Services	25,200	-
Utilities and Telephone	55,041	43,411
Operating Supplies	23,502	17,548
Repairs and Maintenance	4,809	8,008
Legal Fees	1,893	2,977
Audit Fees	3,200	3,207
Testing and Other Fees	12,639	10,312
Insurance and Bonds	63,540	57,610
Employee Benefits	54,594	69,574
Transfer Fees	-	25
Depreciation	76,373	71,788
Office Expense	1,384	1,915
Travel and Education	608	727
Miscellaneous	<u>-</u>	<u>-</u>
TOTAL OPERATING EXPENSES	433,674	419,554
OPERATING PROFIT (LOSS)	116,657	177,357
Non-Operating Income		
Interest Income	13,565	8,707
Non-Operating Expense		
Interest Expense	(87,005)	(121,173)
Cost of Issuance/Wire Fees	(1,500)	(37,577)
Underwriter Discount / Bond Insurance	-	(59,459)
NET INCOME (LOSS)	41,717	(32,145)
RETAINED EARNINGS, BEGINNING OF YEAR	5,787,603	5,819,748
Adjust to account for defeasement of debt	(44,449)	-
RETAINED EARNINGS, END OF YEAR	<u>\$ 5,784,871</u>	<u>\$ 5,787,603</u>

The notes to the financial statements are an integral part of this report.

WEST IRON COUNTY SEWER AUTHORITY

STATEMENT OF CASH FLOWS - ENTERPRISE FUND

FISCAL YEAR ENDED JUNE 30, 2006

CASH FLOWS FROM (USED BY)

OPERATING ACTIVITIES

Net cash received from fees and services	\$ 503,920
Other operating revenues	38,125
Cash payments to employees for services	(164,851)
Cash payments to goods and services	(189,338)
Other operating expenses	-
	-

NET CASH FROM OPERATING ACTIVITIES

\$ 187,856

NON CAPITAL AND FINANCING ACTIVITIES

(Increase) decrease in due from other funds	
Increase (decrease) in due to other funds	1,312
Net operating transfers in (out)	-
	-

**NET CASH USED BY NON CAPITAL AND FINANCING
ACTIVITIES**

\$ 1,312

CAPITAL AND RELATED FINANCING ACTIVITIES

Acquisition and construction of capital assets	(74,365)
Principal payment on long-term bonds	(80,000)
Interest and fees paid on long-term bonds	(88,504)
Adjustment due to defeasement of debt	(2,451,041)
Proceeds from borrowings	-
Underwriter Discount / Bond Insurance	-
	-

**NET CASH FROM CAPITAL AND RELATED
FINANCING ACTIVITIES**

\$ (2,693,910)

INVESTING ACTIVITIES

Interest Income	13,565
	13,565

NET CASH FROM INVESTING ACTIVITIES

\$ 13,565

**NET INCREASE (DECREASE) IN CASH AND
CASH EQUIVALENTS**

(2,491,177)

Cash and Cash Equivalents, Beginning of Year

3,081,200

Cash and Cash Equivalents, End of Year

\$ 590,023

The notes to the financial statements are an integral part of this report.

WEST IRON COUNTY SEWER AUTHORITY

**STATEMENT OF CASH FLOWS - ENTERPRISE FUND
(CONTINUED)**

FISCAL YEAR ENDED JUNE 30, 2006

**CASH FLOWS FROM OPERATING
ACTIVITIES**

Operating Income (Loss)	\$ 116,657
Adjustment to reconcile operating income to net cash provided by operating activities:	
. Depreciation	76,373
. Provision for uncollectible accounts	
. Changes in assets and liabilities :	
(Increase) Decrease in accounts receivable	(8,286)
Increase (Decrease) in accounts payable	2,478
Increase (Decrease) in accrued benefits	634
Increase (Decrease) in customer deposits	-
NET CASH FROM OPERATING ACTIVITIES	\$ 187,856

The notes to the financial statements are an integral part of this report.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

DS Rostagno, CPA, P.C.

***101 West Maple Street, Iron River, MI 49935
Tel (906) 265-1040 Fax (906) 265-1042***

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Trustees
West Iron County Sewer Authority
Caspian, Michigan 49915

We have audited the financial statements of the business-type activities and each major fund of the **West Iron County Sewer Authority**, as of and for the year ended June 30, 2006, which comprise the **West Iron County Sewer Authority's** basic financial statements, and have issued our report thereon dated October 06, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the **West Iron County Sewer Authority's** internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no such matters involving the internal control over financial reporting and its operations that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the **West Iron County Sewer Authority's** financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts.

Compliance and Other Matters (Continued)

However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the audit committee, management, the Board, and federal awarding agencies and pass-through entities, and it is not intended to be, and should not be, used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Dianne S. Rostagno". The signature is fluid and cursive, with a large, stylized "R" and "S".

Dianne S. Rostagno
DS ROSTAGNO, CPA, P.C.

October 06, 2006